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MESSAGE

OF

HIS EXCELLENCY

MANUEL ROXAS

PRESIDENT OF THE PHILIPPINES

TO THE

SECOND CONGRESS

DELIVERED JUNE 3, 1946

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First Session

SESSION HALL, HOUSE OF REPRESENTATIVES

949 LEPANTO STREET, MANILA

MANILA
BUREAU OF PRINTING
1946

6627

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SECOND CONGRESS

Delivered in the Session Hall, House of Representatives
June 3, 1946

MR. SPEAKER, MR. PRESIDENT, GENTLEMEN OF THE CONGRESS:

I am happy to return to the halls in which I saw my start in national public life. I feel perfectly at home here. It has been my great privilege to preside over both the houses of Congress in years past. No one is more jealous than I have been and still am of the proud prerogatives of the legislative branch of Government. You share with me the responsibilities, the co-ordinate and co-equal responsibilities, of reflecting the will of the people in the great task which faces Government today. I see among you some few who were my colleagues in the drafting of the Constitution of this Commonwealth, of what will soon be this free Republic. Some few days ago, on May 28, I took an oath to support and defend the Constitution of the Philippines.

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This I intend to do with all the vigor at my command. I am firmly convinced that laws are wiser guides than individuals in regulating the proper conduct of human affairs. I pledge before you an administration based on law. The Constitution will be the "Ark of the Covenant" which I will protect from violation and desecration with every power and every force at my disposal. I do not take this pledge lightly. I have a profound conviction that constitutional government in all the subtle meanings of the phrase is the only type of government which can safeguard the rights of the people even against the abuses of government itself. Constitutions may be perfected but the fabric of government once torn by disrespect for the basic law of the land can be repaired only with the greatest difficulty.

It is my constitutional duty to report to you on the state of the nation and to make to you such recommendations as I deem proper for dealing with the intricate problems which face us today.

I need not dwell too long on our present situation. I have referred to that situation in all its aspects in public speeches both here, and in the United States. All of you can see with your own eyes the destruction which surrounds us and the grave perils which threaten our survival as a nation. We have less than five weeks,

31 days to be exact, in which to make the necessary preparations for the assumption of independent nationhood. Even under ordinary conditions, this would be a short space for so great a task. There are many steps which must be taken to provide for the transition. The legislation needed for this transition will be duly submitted to you. But the problems we must solve are much greater ones than those of crossing the line from Commonwealth status to the status of a free Republic. Our people are to inherit a prostrate and war-devastated land. The extent of that devastation was total. Despite the hum and bustle of activity in our cities we have not yet started on the major premises of reconstruction. Let me describe briefly the aspects of the problems we face both as a Government and as a nation.

We are faced first of all by the fact that our Government is without financial means to support even its basic functions, not to speak of the great projects in rehabilitation and economic development which we contemplate and which are, indeed, vital to our continued existence.

A tentative pared-to-the-bone budget estimate for the next year projects expenditures of over 250 million pesos. Using the present sources of government revenue as a basis for estimation of expectable income, we can count on only about 40 million pesos for the

coming fiscal year. In our first year of national existence we are budgeting a deficit of over 200 million pesos. We have little prospect of a balanced budget for some years to come. And these figures are cited without including public works, irrigation and the many projects we must undertake to reconstruct our shattered land and provide for the care and protection of those of our population who today are suffering most acutely from the after-effects of war.

Our currency, sound in monetary terms, pegged to the American dollar and fully supported by dollar reserves in the United States, is nevertheless suffering from a vast overexpansion in circulation. Today there are in circulation over 800 million pesos, compared to the pre-war total of about 200 million pesos. Partly a result of this overcirculation is the present inflation of value. Prices are far beyond reason. A scarcity of commodities and a superabundance of currency in circulation have given us a national price structure shot through with confusion and injustices to our consumers, wage earners, salaried employees and even producers whose income cannot keep pace with the vaulting scale of prices.

Our national production itself is a pittance. Where we exported annually before the war 240 million pesos

of goods, we may, with good fortune, expect to export 30 million pesos worth of goods this year. Our imports this year will exceed 300 million pesos, several times what we have ever imported before. The savings of our people and the windfall of money brought us by the liberation forces is rapidly disappearing. It will disappear at an even faster rate unless we arrest the unfavorable balance of trade with drastic measures. The most obvious remedy is to increase our production and exports. This we must do without delay.

Our basic production potential could not be permanently affected by war. But our productive facilities have been pitifully destroyed. Practically all our tractors and 60 per cent of our work animals disappeared through the war. There is a continuing tendency to divert work animals from the fields to the slaughterhouses. This tendency must be halted.

Our transportation facilities, as you all know, have been completely disrupted. Only in recent weeks has the United States Government been disposing of trucks and motor vehicles at a sufficient rate to enable us to look forward to some measure of transportation recovery. But our roads are a shambles, with a vicious tendency to deplete our usable motor vehicles and at the same time impede the rate of the flow of goods to

market. Waterborne transport, especially in coastwise trade, is still only a fraction of what it should be.

Our communications, radio and telegraph, are completely disrupted. With many of our fellow citizens we still have no communication whatsoever. Business operations are seriously crippled by the lack of communications. The only radio broadcasting facilities now available are those owned and operated by the United States Government. Most of our people lack radio receiving sets with which to keep informed of world events or even of events in their own homeland.

Most of our railroads are depleted of rolling stock and the lines themselves are in a sad state of disrepair. Bridges and roads are in crying need of reconstruction.

Public health and sanitation have retreated far from the level which existed before the war. Epidemic is a constant threat. The three great pests of our land—the rat, the mosquito, and the locust—have thrived on our misfortunes and threaten us with both disease and hunger. Control measures against all of them must be taken.

Famine is a strong possibility; shortages of food are even now critical. We are immediately faced by a shortage—which will grow more critical within the next few months—in our staple food product—rice. In some

sections of the country rice is not being planted because of the lack of carabaos and the threat of rats and locusts. In others, planting is diminished because of the absence of law and order and the fear that the harvest may be stolen. There is a world shortage of rice. Many nations of the earth are as unfortunate as we; in the case of our own shortage we can expect very little assistance from abroad. We are doing everything in our power to get as much assistance as we can. I fear that we must look to our own resources to supply a major part of our requirements over the next critical six months.

Housing is an urgent need in our urban areas. The squalor and congestion in which many of our people live are seriously affecting the health of our younger generation. In some areas of this very city the conditions are such as to shock the national conscience.

I need not describe the sad state of public buildings. The very hall in which we sit is a tragic testimonial to what has occurred here. We are reduced to convening in a former Japanese schoolhouse while the proud Legislative Building we had built before the war lies in ghastly, ugly ruin. Most of our government functions are being carried on in crowded, temporary or bombed-out structures. Many government activities have been

huddled together in congested quarters. Supply and equipment for government offices are at low level. Inefficiency, as a result, takes its toll.

But the central fact of our economic condition is the tragic destruction of the productive economy. Sugar, hemp, copra, coconut oil, cigars, tobacco, minerals and lumber—those were once the staples which we exported overseas. Today 60 per cent of our sugar mills are destroyed; most of the others are in complete disrepair. Machinery has been broken, stolen, or rusted away. Most of the lands themselves lie fallow.

In a land where coconut was once king not a single coconut oil mill remains intact. Many of our coconut plantations are without means of transport to carry copra to market, nor from market to export channels. I might go on to record our agricultural and productive ills, but they are known to all of you.

Our gold mines are still flooded; the timbers have rotted away. We have only now begun to work in our chrome and manganese mines.

The great carpet of timber which covers a part of our land is in need of sawmills and other equipment necessary to exploit this resource.

The one product for which we are known throughout the world and for whose supply the world depends chiefly on us—abaca—is in a similar situation. The

great Davao lands are largely untended and their ownership is in controversy. We intend to settle this controversy and to rehabilitate the plantations at an early date.

There have lately been established increases in the price of copra. I have every reason to hope that a similar increase in the price of abaca will soon be authorized. These prices will give incentive to our producers. But there are many other measures which must be taken to restore the economy of those products, measures which I shall bring to your attention at the appropriate time.

These are not yet all of our ills. The cruel scythe of war has left in its wake a chaff of violence and terror. In the central Luzon provinces, and in one of the provinces of Mindanao, force prevails rather than law. Bands of men possessing illegal arms defy the forces of peace and order and have instituted their own misguided rule. It is estimated that over 300,000 arms are illegally held in the Philippines today. Social and economic injustices especially acute in those areas have been proper soil for the harvest of violence. We shall do our best to remedy the economic ailments, the best that is within our means and our understanding. We will not permit for one unnecessary moment the defiance of law or the imposition of tyrannical terror. Peace

and order will be restored with understanding, with tolerance and with proper regard for the causes which gave rise to this development. But there will be no compromise with lawlessness, no trafficking with terror. Laws will be obeyed and arms will be surrendered. The welfare of the people of those areas will be safeguarded.

I have described in rough detail the obvious difficulties we face. Each of them requires prescriptive treatment of its own. Many of these situations require a combination of remedies. All of them will take money. Some of them will take time.

In war many of our bravest sons fell, others suffered great physical injury. Many have returned home to find their jobs no longer in existence and their opportunities for employment gone. Widows and orphans look desperately for the assistance and comfort they deserve. The veterans and their dependents must be given all the help we can muster.

In regard to labor, we are faced by the growing specter of unemployment. Hundreds have been discharged from jobs on Army and Navy installations. Hundreds and thousands more will soon be. There are no productive enterprises available to absorb their energies.

The labor force which was created by this war must have other outlets for employment. We must create those outlets.

There is no easy formula to solve this problem. It will require the aid not only of the United States which we anticipate, but also a recognition by all our people of their duty to invest their savings in productive enterprises.

The United States Congress recently enacted two major pieces of legislation for our relief—one of them is the Trade Rehabilitation Act, and the other the War Damage Act. These Acts are major factors in our economic recovery. They have been the objects of great controversy in some quarters. One of them—The Trade Rehabilitation Act—requires implementation by the Philippine Congress. I shall address to this body within the next few days a special message dealing with this legislation. I will only say today that this legislation gives us our chance to activate our production potentials. Without this legislation we cannot immediately start our rehabilitation program; without this aid, I seriously doubt whether we would be able even to feed and clothe our people during the critical days ahead. Certainly

we would be unable to establish the economic foundations required for the support of our independence.

I have lately returned from the United States in company with High Commissioner Paul V. McNutt, to whom we are all indebted for the indefatigable and effective interest he has shown in all our problems. For his work in our behalf on our Washington trip alone, we must all be deeply grateful. The first and foremost subject on our Washington agenda was a loan. I asked for a government loan of approximately 800 million pesos to be lent to us in five yearly installments, the first installment to be 200 million pesos and the second 12½ per cent less, the third 12½ per cent less than that, and so forth. I pledged the good faith of this government and of the Republic that is about to be for the repayment of this credit. I will need from this Congress authority to effectuate this transaction. I have also asked the Export-Import Bank of the United States, a Government owned bank, for a rehabilitation loan. We discussed projects which will require 500 million pesos. This loan may take some time to negotiate. I intend to see that every peso of this loan, when made, is wisely and economically expended for self-liquidating projects.

In my report to the Filipino people on the results of my mission to Washington, I listed some 40 subjects which were taken up. I will refer here to some of those subjects. I have already mentioned the loan.

We took up the matter of military bases which are to be established by the United States in the Philippines under the terms of agreements reached between my predecessors and the Presidents of the United States and implemented by resolutions approved by the United States Congress and by the Philippine Congress less than a year ago. The specific determination of those bases is now under negotiation. I have not yet been formally advised of all the specific sites considered by the United States as necessary for the protection of both countries. I expect that final agreement will be reached very soon.

We also discussed in Washington the formal treaties which will be necessary—a treaty of Friendship, Navigation and Commerce, and a treaty covering diplomatic recognition of our independent state. These treaties are the customary treaties between independent nations. We also made arrangements in Washington for the United States Government to invite all the recognize governments of the world to acknowledge the independence of the Philippines and to enter into diplomatic

relations with us. We shall have to negotiate similar treaties with them.

We discussed in Washington preparations for our independence day ceremonies. I had the privilege of inviting President Truman to be present in person to proclaim our free Republic. He expressed his eagerness to come, and will be here on July 4th, unless pressure of such public affairs as face him today prevent his leaving Washington.

We arranged for an exchange of ambassadors to be effected very soon after July 4th. The United States is very anxious to establish here the highest ranking type of diplomatic representation and we, of course, are pleased to maintain our relations with the United States on the highest as well as on the most intimate level possible.

Perhaps next in importance among the many subjects covered in Washington was the treatment of our veterans. From the very beginning of his assignment as American High Commissioner, Governor McNutt has interested himself in the welfare of our veterans and in securing for them as nearly as possible all the rights and benefits available to American veterans. He has also been active in behalf of the definition of American obligations for the redemption of guerrilla currency.

There is a great deal of misunderstanding here regarding the so-called GI Bill of Rights. There is also a lack of comprehension of the inapplicability of most of its provisions to the Philippines. American veterans residing in foreign territory are not eligible, generally speaking, for the benefits of the GI Bill of Rights. These benefits consist of guaranteed loans through banks, on homes, and on business ventures, of unemployment compensation on the basis of certification by the United States Employment Service that no employment is available, and of educational opportunities in certified and accredited schools, whose curricula are supervised by the Veterans Administration. The laws providing for the administration of these benefits are closely correlated with the laws of the United States and of the several States of the Union. We have no comparable laws in the Philippines, nor do our banks or our universities fulfill the requirements established by the United States Veterans Administration. Thus it was found by American authorities that it was legally impossible to apply the GI Bill of Rights to the Philippines. It will be even less possible after July fourth. In fact, the Veterans Administration has no legal right to operate here in any capacity after July fourth without special United States legislation.

I was informed that it was for these reasons that the United States Congress specifically withdrew all veterans' benefits except insurance, and death and disability pensions from Filipino veterans.

During our stay in Washington we discussed this matter at considerable length with American officials. The President of the United States, cognizant of the great sacrifices made in war by our soldiers submitted to Congress a bill, first of all, granting the Veterans Administration authority to operate in the Philippines after July fourth; second, providing hospitalization privileges for Philippine veterans; and third, providing a burial gratuity. After July fourth, these benefits alone will be greater in extent than those provided for American veterans living in foreign lands. But President Truman promised even more. He pledged that educational and employment opportunities would be made available to Philippine veterans as soon as a practicable program could be formulated. I shall recommend to the American authorities that these benefits be in the form of an outright grant of funds to provide free instruction to veterans in our educational institutions and for useful employment projects for veterans. Some legislation will be required to implement these benefits. A law will also be necessary punishing fraudulent representations made before the Veterans Ad-

ministration. I shall recommend such a bill as soon as the United States Congress has acted on the Philippine Veterans legislation. I also recommend that legislation be enacted by the Philippine Congress making benefits received from the United States Veterans' Administration non-taxable.

Some discrimination against our veterans is involved in the provision that benefits for Filipinos will be paid on a peso-for-dollar basis. I have instructed Commissioner Romulo in Washington to seek to have this discrimination eliminated if at all possible. It should be understood, however, that these benefits are to be paid for by United States taxpayers including American veterans, for generations to come. American veterans will be contributing to the cost of their own benefits. Filipinos will not be asked to make any such contribution. I point this out to show that in the matter of veterans benefits, we must rely more on the generosity of the United States than on any right we may claim. I have the assurance of the President of the United States that widows, orphans, the sick and the disabled will be cared for promptly and, to this end, legislation has been introduced in Congress. I have asked for the speediest possible action on this legislation for the emergency needs of those who suffered the most from this war.

I look forward to the day when our own government can shoulder the burden of the care of our own veterans. We have that much pride in our freedom and in our independence. We have that much gratitude to those who helped save this nation and its freedom from a cruel and barbarous enemy.

After the United States Congress has completed action on Philippine Veterans' legislation, I will submit to this Congress not only such legislation as is necessary to implement United States veterans' measures but also such portions of the Filipino GI Rights bill passed by the Philippine Senate some months ago as are desirable to assure adequate justice and assistance to our fighting men.

In regard to emergency and guerrilla currency we asked in Washington for the speediest determination by the War Department of its share of the obligation incurred. As soon as this determination is made, we shall enter into negotiations with the United States looking toward to the redemption of this money or of such a percentage of it as will be fair and equitable to those who received it in payment for goods or services. Meanwhile I will recommend to the Congress, if it proves necessary, steps to prevent the further drift of this currency into the hands of speculators and profiteers. I

issue this warning now: That we will take every precaution against the realization of even a cent of profit by those who have purchased for speculative purposes the currency which helped gain the victory.

The matter of guerrilla currency is not our only problem involving currency. It is necessary that this nation, when it becomes independent, have an entirely new currency as soon as practicable, replacing both the pre-war currency and the present victory money. We entered into negotiations with Treasury Department officials in Washington and have made tentative arrangements for the printing of a new issue of money by the Bureau of Printing and Engraving. Special legislation will be required to authorize the issue.

Another matter of most vital concern to us is the food situation. We canvassed prospects for obtaining more food imports with Herbert Hoover, with Mayor LaGuardia and with Agriculture Department officials. Rice is our critical requirement. But there is very little rice to be had anywhere in the world today. We were encouraged by Mr. Hoover to get what rice we can from Siam. We are in the process of conducting negotiations with the Siamese Government for the exchange of rice for surplus motor vehicles, but I do not have any great hope for the success of this under-

taking. Our own agricultural experts tell us that we may expect a critical rice shortage in our land far exceeding anything that we have known up to this time, probably beginning in August. In anticipation of this situation, I have directed the National Rice and Corn Corporation to store and seal all available rice in order that we may distribute this rice on the basis of direst need to meet actual famine conditions. We shall not cease our efforts to obtain whatever rice we can from whatever sources we have. In Washington we were promised some shipments of corn and perhaps other cereal substitutes, but I must warn the Congress and the people of the Philippines that emergency action must be taken to husband our current food supplies. Voluntary rationing must be instituted. I also exhort all my countrymen to start immediately growing corn, root crops, vegetables, and all other foods which can replace rice in the national diet. I have directed every agency of Government to help me in planning a campaign of encouragement and assistance to our people in starting "Anti-Famine Gardens" and plantations. Only in this way can we hope to save ourselves from want.

I also discussed in Washington the controversial Property Bill. I discussed this with Congressional leaders, with the Alien Property Custodian and with

the heads of other Government Agencies. I am convinced beyond doubt that the intentions of the American Government in this connection are without guile or motive, and that it is simply designed to facilitate the operation of rehabilitation and other assistance agencies in the Philippines after Independence. There has been some difference of opinion between us on provisions which would affect the disposition of enemy properties, largely agricultural lands. I have taken the position that these lands must be turned over to the Philippine Government and that until such a transfer is agreed to, we must oppose with all our vigor the so-called Property Bill to which otherwise we can have no valid objection. I expect this matter to come to a head within a few days.

The third vital legislative matter taken up in Washington concerned the War Damage Act. I have urged the utmost speed in setting up the War Damage Commission and in expediting its activities in the Philippines. This will necessarily be delayed until Congress appropriates the one billion forty million pesos authorized in that Act. While in Washington, we asked Congressional leaders and especially the chairmen of the appropriation committees to give this particular appropriation item every possible priority. I received

definite assurances that prompt action will be taken to this end.

A minor but complicated problem is presented by our lack of sufficient trained personnel to take over the function of foreign representation in the several world capitals and other places where we require diplomatic and consular representatives. I was able to arrange in Washington for the intensification of the training program being conducted by the Department of State in our behalf, and meantime I have arranged for the State Department to handle our diplomatic and consular representation until we are able to take over that function.

One of the factors which most critically impedes our economic rehabilitation is the lack of sufficient ship transport, especially for the coastwise service. In Washington we discussed this with the War Shipping Administration, with the Maritime Commission and with Surplus Property officials. We were assured that we would be given all the ships and watercraft suitable to our needs that are available for transfer. But there are administrative and other difficulties which must be met. Meanwhile I ask this Congress to make a study of the desirability of Government control of shipping to a much greater degree than has heretofore been undertaken. I suggest that an agency with powers similar to

those of the United States Maritime Commission be established to encourage the growth of a Philippine Merchant Marine and to regulate its operations. I should like to see the Congress review our present shipping laws with a view to inducing ships from other lands to register under our flag and to be manned by Filipino crews. This is urgently desirable in order to capture a portion of Japan's pre-war shipping business. While I feel that shipping should be a private undertaking, we must keep in mind that shipping is as vital as food itself to the economy of some of our islands. It may not be profitable for private enterprise to extend lines to some of our more distant ports. If private enterprise will not undertake some of these operations, the Government must.

I have discussed at some length the problems that came up during the eight days of our stay in Washington and some of the solutions at which we arrived. I have yet to report to the Congress on the many urgent matters which must occupy its attention, in addition to those I have mentioned. I do not think any Congress in the Philippine history has ever faced the heavy responsibilities which confront you. You will be called upon to consider a hundred complex legislative proposals, each of them marked with the red tag of urgency.

Most of the bills which will be submitted to you will be *must legislation.* There is no way to ease this burden or slough off this responsibility. It is my plain duty to report to you now on all major problems we must consider. Because of the parallel urgency of these matters I will not arrange them in order of importance. I will deal with them by subject matter.

We must first of all attack as best we can the problem of our government finances. The projected loan from the United States Government will be only of transient value to us unless we immediately lay a sound and sensible basis for government financing. I propose that our entire budget procedure be reviewed and that a more flexible technique both for determining budgetary needs and for allocating our expenditures be devised. I propose the establishment in the executive office of a strong Budget Bureau authorized by Congress to review the budget estimates of the various departments and then to pass upon authorized appropriations before expenditures are made, on the basis of need. I propose that this Budget Bureau have the power of recommendation on revenue measures so that revenue and expenditures may be intimately correlated.

I have already directed that there be undertaken a detailed review of the functions of the Government De-

partments and the percentage efficiency not only of the Departments themselves but of the personnel employed. Inefficient operations of the executive and administrative departments will be eliminated. Unnecessary personnel will be dropped. Duplicate functions will be combined. In order to effect this, I ask the Congress for adequate powers of reorganization covering bureaus, divisions, agencies and commissions.

I urge the grant of this authority especially because of the imminence of independence and the consequent necessity of reorganizing government functions to meet the needs of our new status. For the period of the next few years some of our agencies will be required to be so organized as to function in cooperation with federal agencies established for rehabilitation purposes here. I ask this authority for a period of one year, subject to such review as Congress may deem proper.

I shall not have had the opportunity to make all the necessary budgetary adjustments in the budget which I will submit to you shortly. But I shall submit toward the end of this session a Rescission Bill, making such modifications and accomplishing such economies as can be effected after further study.

Having pared expenditures for the ordinary expenses of government to their lowest possible level, we must

proceed to study our sources of revenue. I believe our income tax to be entirely inadequate, in the light of the national need and the emergency situation we face. Taxes must be raised to reasonable levels without discouraging enterprise or business expansion. I believe firmly in the principle of taxation on the basis of ability to pay. An up-to-date tax system will be submitted for your consideration.

Some individuals have accumulated through the war years considerable fortunes, while others of our countrymen were offering their lives on the altar of freedom. As a measure to effect social justice as well as to obtain desperately needed revenue, I propose the imposition of a war profits tax based on taxable income and the increase in capital assets from 1941 to 1945.

There must be, in addition to these specific taxes, a general overhauling of our tax structure. I propose for this purpose to appoint a commission, with the power to engage technical and expert assistance from the United States. Taxes must be realistically readjusted to the inflation which holds us in its grip. Taxes, in a sense, represent forced savings. Under present circumstances, increased taxes are a type of blood-letting which will do much to cure the high blood pressure of the current inflation.

Meanwhile the people's confidence in financial and credit institutions must be strengthened further to lure savings into the productive streams of industrial and commercial credit rather than into mere competition for consumption commodities. The full rehabilitation of the banks and the strengthening of our banking laws will be another long step toward the trapping of inflation and its localization in the consumption market. A commission will be appointed to study our banking laws and to recommend, if it is found desirable, a central bank to become the fiscal agency of the government in the control of credit, to act as the clearing house for inter-bank transactions, to manage bank reserves, and to afford more flexibility in our currency system.

Insurance companies must come under the same type of review. We must tighten up our laws regulating insurance so that the people's savings in these institutions will be as safe and secure as we can make them.

Meanwhile, further to increase the general confidence in banks, we must enact legislation enforcing on all banks equal liability for deposits made prior to the war and transferred by the Japanese to the Bank of Taiwan and the Yokohama Specie Bank. These transfers affected Americans, allied nationals, and loyal Filipinos. Funds affected also include trust funds held for widows

and orphans in the Philippines of American soldiers of past wars. Proper claims can be made by the banks against the Japanese government, but meanwhile depositors must be protected.

Present law places nationals of neutral countries and even enemy nationals in a favorable position as compared to Americans, allied nationals and those Filipinos who were penalized in similar fashion. Such neutrals and enemy nationals can now collect their outstanding pre-war deposits while Americans, allied nationals and some loyal Filipinos are denied that right.

It is essential to economic rehabilitation that easy credit be made available to small investors, home builders and producers. It may be necessary for the government to guarantee small business and farm loans. That matter should be studied.

Steps should be taken immediately to rehabilitate fully the Postal Savings Bank and to authorize the payment of deposits. When funds are available, I shall request Congress to appropriate the necessary funds for this purpose.

Further to stabilize the national credit structure, every assistance should be given for the rehabilitation of Building and Loan Associations. Likewise Credit Co-operatives should be encouraged.

When we obtain the loan from the Export-Import Bank I will propose that we organize in the Philippines a Rehabilitation Finance Corporation, capitalized with the amount of the loan, and authorized to make loans for rehabilitation and economic development projects. But these loans must be made on a sound self-liquidating business basis. I also propose that this corporation itself be authorized to undertake rehabilitation projects when in the public interest and when duly authorized by Congress or the President.

The United States Government is now maintaining here an office of Frozen Foreign Funds Control. Its functions will end on July 4th. I propose that we immediately establish a frozen fund control office in the Department of Finance to take over from the United States Treasury Department this important function. Accounts and assets of persons under indictment for collaboration with the enemy must continue to be blocked, pending the disposal of their cases. I propose, however, that the secret "watch list" based on administrative and not judicial evidence be abolished as soon as it is within our power to do so. The United States Treasury Department has offered to make available technical assistance as well as its records to any agency which we set up to handle this problem. I urge prompt

action so that our own agency may be functioning before independence.

So much for our financial institutions.

In addition to the studies already discussed, I will ask funds for the expenses of commissions for the study of the following matters:

1. A study of water power development all over the country.

2. A study of our educational system, with a view to the development of an educational program in high schools and colleges oriented to the training of Filipinos in citizenship in an independent nation.

3. An agrarian commission to study the general and specific aspects of our land problem, the relationship between landlord and tenant, the redistribution of lands now held in large estates in congested areas, the opening of public land to settlement and exploitation by small farmers, and other approaches to this troubled situation.

4. A port commission to study the congestion in Manila Harbor and to recommend means and methods for relieving this congestion and to prevent pilferage. This commission will also prepare a program for port development throughout the Philippines.

There will be other commission, whose formation I will propose or direct from time to time. I am not suggesting that this will be a government by commissions. Commissions are fact-finding bodies to ascertain the nature and scope of the problems assigned them

and to recommend the best and most economical methods of solving those problems.

Another of our most serious situations, of course, is inflation. Fundamentally, inflation can only be cured by the production and the importation of sufficient goods to satisfy the market and to allow for free competition. That goal is far in the future. I do not know when we will reach it. For the moment and for some months to come we will be living in a land of scarcity—scarcity of food, scarcity of building materials, scarcity of textiles, scarcity of machinery. While we are building up our stocks from abroad, while we are getting our own production into gear, we must control prices, minimize the black market, prevent profiteering and obviate the suicidal race between prices and wages.

With the increase in the prices of the necessities of life come demands for increases in wages—demands which are justified if there is no other way of enabling men to live. Upon the increase of wages there follows close an increase in the price of the products whose producers have been accorded the increase. Laborers who do not get the increase in pay are likely to strike; and strikes curtail production, viciously worsening the situation in a never-ending cycle. I ask wider authority to control prices. That authority may be on a renew-

able basis; I do not intend to use it for any commodity nor for any longer time than is absolutely essential for the welfare of our people. But where it is necessary, it is my purpose to enforce to the limit price ceilings. The experience other nations have had in this matter indicates that expenditures involved in administering and enforcing price ceilings in periods of scarcity result in tremendous savings to the people themselves.

As we begin to rebuild under the terms of the war damage act and under the terms of such rehabilitation legislation as we ourselves may enact or provide, there will come a destructive scramble for building materials and for the hire of skilled construction workers. We must have authority to control the prices of these materials and to stabilize wages for certain types of workers in the skilled trades.

Control must also be established over rents, especially rents for dwellings occupied by small-salaried employees and workers. During a period of housing scarcity, rent ceilings are essential in any planned program of inflationary control. Profiteering based on scarcity of housing must be ended. The administration of rent ceilings will necessarily be confined to the urban areas where the shortage is critical.

I believe that price control should extend even to places of amusement such as motion picture theaters. The movie has come to be a major cultural institution looming large in the lives of many of our people. The price of this facility must be kept within the bounds of reason.

It may seem to some that we in the Philippines are about to encumber ourselves with controls and irksome regulations while other peoples of the world are discarding them. But we are just beginning to fight in our current war, our war against destruction and prostration. Just as in the war against the Axis, we cannot, we dare not, lose.

As we start out on the road to rehabilitation, as we make our plans for the reconstruction of our country, we must work along two lines. The first is the simplest—to rebuild those industries and those enterprises which were destroyed by the war. But that is only half our goal. We must also plan and work in terms of broadening our economy, of securing wider and wider participation in business and industry of greater and greater numbers of individuals.

One answer to this, of course, is small business. Small business is one of the bulwarks of democracy. Small factories, small shops, small processing plants at-

tracting the ingenuity of individuals and the enterprise of small groups are economically essential and socially desirable. I recommend that we establish, perhaps within the framework of a general Rehabilitation Authority, a small business division, the sole task of which will be to encourage and promote small business. I have already suggested that special financial and credit facilities be made available and I suggest now that technical advice and assistance be also provided.

When the War Damage Commission begins to function here, it will be faced by the problem of weighing claims of approximately one million claimants. It will be a monumental task to assay and decide these claims. Each claimant, small or large, will be forced to present his claim in legal and standardized form with supporting affidavits. The same thing, incidentally, is true and will be true for the presentation of claims before the Veterans Administration. I therefore ask, in order to assist small claimants, that the government establish a Legal Services Bureau for the purpose of helping the poor to prepare their claims for the War Damage Commission and the Veterans Administration. This service should be free in cases where need is shown. I do not think we are unduly prejudicing the legal profession in the Philippines for they will have many more claims than they can handle. The War Damage Commission

especially is bound by a time limit for the submission and consideration of claims. We must do everything in our power to expedite the payments and permit the orderly progress of the reconstruction work.

I come now to what I would consider the most urgent problem we have, if I should select one. That is the law and order situation. For the proper, intelligent and impartial enforcement of law, I propose that we establish a State Police, authorization for which is already embodied in our Constitution. I ask that the Congress grant me the discretion to assign the State Police either to the Department of the Interior or retain it directly in the Executive Office of the President. The police force must be a civilian body although its members will be selected largely from our defense forces. But it will not be a military force. By intensive training and, we hope, with the aid of the United States law enforcement agencies, we plan to fit the members of our police force for their difficult and trying task. They must know the law and the constitutional premises of our Government. They must enforce law in the manner prescribed by law, impartially and without fear.

I also ask for the strengthening of the Division of Investigation in the Department of Justice, whose function will be to apprehend violators of national laws, and to guard against bribery, corruption and graft in gov-

ernment. This force will not be a Gestapo but rather the watchman for the public conscience.

I recommend an increase in the penalty for the illegal possession of firearms, especially automatic rifles, machine guns, hand grenades, bombs and heavier armaments.

I also propose that the assembly of more than five persons carrying illegal firearms shall constitute presumption of conspiracy to commit acts of banditry.

As to the Army, I have already made my position clear. The standing regular Army should consist of approximately 12,000 mobile, well equipped, well trained troops, an Army of which the State Police would be a reserve. These troops must be trained in the latest mechanics of combat, in the use of modern weapons and modern tactics.

While we are maintaining a small compact professional force, we must also train our reserves. We must continue to train at least 5,000 reserve officers annually in the universities and colleges. The training should be as modern and as forward-looking as possible. Students who elect medical training or other professional branches will be admitted into the reserve corps without standard and routine training in arms. I propose that we continue universal military training with this modification: that there be one year of training

for all youths upon reaching the age of 18, except those training in colleges. But training in mechanical and technical skills will be provided when aptitude for such skills is shown. We must train technicians as well as infantrymen for our citizen army. Training of air corps pilots and of a ground maintenance force should also be provided on a modest scale. Commercial air pilots, navigators and engineers should be made automatically eligible for membership in our reserve forces.

In the Philippines we have inherited from the United States a happy tradition of a non-political army, an army whose personnel take no part in national or local politics. A professional army must be a non-political army. There was some weakening in the fabric of this restriction in recent months. I shall take every step within my power to restore the doctrine of abstention from politics for the army.

We are already training an offshore patrol and we have arranged to obtain from the United States Navy such ships, boats and other watercraft as will be required. For the time being, the offshore patrol will be under the jurisdiction of the Philippine Army but I shall propose at some time in the future that a separate service be established so that it may become the nucleus of a naval force. The patrol's present function will be to prevent smuggling and illegal entry, to coöperate with

the merchant marine, to maintain all maritime services, and to assume jurisdiction over the coast and geodetic survey.

There is pending in the United States Congress today a bill authorizing the Army and Navy to coöperate with us not only in the training of personnel but also in the transfer to the Philippine Army of ships, aircraft, arms, equipment, stores and supplies. I am confident that the United States Congress will approve this proposal before July 4th. We could not maintain an Army or an offshore patrol without it.

As I have already stated in my summary of activities in Washington, we are facing problems in the establishment and arrangement of our foreign relations after July fourth. One of our immediate tasks is to arrange for the orderly liquidation of the Office of the Resident Commissioner in Washington and the establishment of an embassy. I propose that all employees of the Resident Commissioner be given a service bonus amounting to one month's salary for every year of continuous satisfactory service in that office. Those accepting employment with the new Embassy will not be eligible for this bonus.

I propose that all properties of the Office of the Resident Commissioner be transferred to the Philippine Embassy when established.

It will be necessary to make legal provision for the establishment of a Department of State, which, among its functions will have jurisdiction over all properties to be acquired for foreign service purposes abroad and over foreign service personnel under such rules and regulations as Congress may prescribe.

I have asked the Department of State in Washington to assign to us a foreign service expert to help us draft these rules and regulations and also an over-all pattern for our Department of State. When these studies are completed, I will submit the proposed legislation to this Congress.

I shall also ask the Congress to make provisions by appropriation and otherwise for adequate representation of the Philippines in all international bodies in which the interests of our country are involved. I propose that blanket authorization be given the President to name representatives to international bodies and that adequate funds be provided in a discretionary appropriation for the pay, transportation and subsistence of such representatives pending the inclusion of such an item in a general budget for our independent Department of State.

For the further promotion of our trade and commerce, the Congress should study ways and means for the es-

tablishment in the Philippines of a free port zone so that it may become the transit point for goods flowing from the western hemisphere, the assembly area for heavy machinery, equipment and motor vehicles, the site of oil refineries for export petroleum products and the distribution and warehousing center for goods destined for all parts of the Orient. Future developments might include shipyards and ship repair facilities for the vessels of the Far East.

Another of our major problems is transport and communications, some of whose aspects I have already discussed. I consider harmful to the public interest the present practice of Congress of retaining the authority to issue licenses and franchises for radio broadcasting stations, airlines and some public utilities. This is a practice which legislative bodies in other parts of the world have long abandoned. Public utilities must be regulated and controlled in the public interest. This can be done effectively only if the power to regulate is combined with the power to license. In the case of major public utilities, the Public Service Commission should be given that authority. Transport facilities and radio stations flourish best in competitive circumstances. Competition among them must be encouraged for the best public service. Because they partake of the nature of a public utility, they, too, must be closely regulated

in the public interest. And, as in the case of utilities, the power of regulation must be combined with the power of licensing. The details of regulatory supervision of these facilities are far too great to be handled by legislative bodies. Congress establish the regulatory and licensing bodies and should lay down policies and requirements and leave to the administrative agencies the semi-judicial function of licensing and regulating. There is an intrinsic evil in maintaining this power in legislative hands, leading as it does, to log-rolling, legislative lobbying and, too frequently, to monopoly. The practice of democracy and free enterprise demands that competition in those fields where competition is practicable be encouraged. I, therefore, propose that an Air Transport Authority and a Communications Authority be established, their general policies to be laid down by Congress. The chief criterion of the operation of these public facilities must be public interest and public convenience. Authority must be granted to these bodies to issue rules and regulations to enforce compliance with the public interest and convenience. It should be provided that licenses to operate will be issued on a periodically renewable basis and may be revoked for sufficient and legally definable cause. The Communications Authority should be authorized to assign wave length frequencies allocated to the Philippines by in-

ternational agreement. Broadcasting stations can be required to include in their program educational and instructive material; advertising can be regulated to prevent unfair and unethical practices. Radio can and should be a major educational influence in the life of our people. Only a regulatory body can guarantee this in practice.

With regard to aviation, every encouragement should be given to expansion and improvement of air services on the basis of free competition. Airlines should provide transportation links to unify our land and bind it together more closely than ever before. A proper regulatory body can carry out this policy and, at the same time, enforce the rules of aviation safety, establish standards of operation and fix rates. In no other way can this industry properly and safely expand.

I shall not at this time undertake an extensive review of the problems confronting our judicial system. They must be carefully and painstakingly studied, and some of our judicial practices revised. For the moment, however, there is one problem of paramount urgency which, if solved, will greatly expedite the work of our courts.

The Court of Appeals was established several years ago to relieve congestion of cases in the Supreme Court. Last year the Court was abolished in the belief that by

increasing the number of justices in the Supreme Court, and by providing that the Court might sit in two divisions, that Court would be able to dispose of all cases coming from inferior courts. The result of this experiment has been to confirm the opinion of all those who were opposed to the abolition of the Court of Appeals, because the actual number of cases recently docketed in the Supreme Court and undisposed of by that tribunal removes any hope that the Supreme Court alone can dispose of all such cases. I, therefore, recommend that the Court of Appeals be reëstablished with the same jurisdiction granted to it under the laws of its creation.

I have enumerated my proposals for the reëstablishment of law and order. I have discussed the measures that will be necessary to strengthen the police force and to increase penalties for the violation of law. An agrarian commission is to be established to study the economic problems of the areas where unrest now prevails. The Congress must realize, as I realize, that the means with which we attempt to solve these problems must be within our finances and our capacity. Some time may be required before we can put all of our program, or even a large part of it, into operation. But the people must be assured that we will move as swiftly as we know how. The laws against usury, for instance, will be enforced strictly and thoroughly; the practice

of charging excessive rates of interest to the poor must and will be stamped out. As soon as the legislative proposals on our agrarian problems are formulated, I will ask the Congress to give them every priority. I assure the Congress and the people of the Philippines that nothing will be left undone that can be done. Meanwhile, I should like to discuss briefly some of the other specific measures which should be taken as soon as the means are available.

We must import farm implements and make provision for their distribution and use. I propose that coöperatives be organized to make possible the general availability of tractors. We must import new livestock and poultry and develop varieties peculiarly suited to our own land.

I propose that there be established an Institute of Nutrition to study our dietary habits and make recommendations for suitable modifications.

Credit and technical assistance must be provided for the development of new commodity crops, such as ramie, peanuts, soya beans and cotton.

To further increase our domestic food supply, we must take measures to stimulate the fishing industry. The United States Government has already voted us technical assistance and training facilities for deep-sea

fishing. We must take advantage of those facilities to the limit of our ability.

To decrease the cost of fertilizers, we must establish fertilizing plants, both organic and chemical. These may be established in conjunction with water power sites. I have already listed water power development as a subject to which we must give intensive study.

Our natural resources must be carefully husbanded. Many a nation, once great, has fallen by the wayside of history as a result of the reckless dissipation of its natural resources. Our soil must be kept rich and fertile. Our subsoil riches must be exploited according to plan and in the public interest. Reforestation must keep pace with the cutting of lumber. The work of our experimental agricultural stations must be expanded and the results of their work conveyed to every corner of the Philippines. For this reason, I place great emphasis on the development of radio, provincial newspapers and other publication media. Congress must plan to promote and encourage the development of these media so that the messages of government may be circulated widely among the people.

Labor too must come into its own and must be given every protection in its right to organize. The powers of our Court of Industrial Relations must be revised. While we encourage and strengthen organized labor,

we must make ample provision to insure the responsibility of labor and of labor unions. I propose that conciliation and mediation be recognized and emphasized as a proper procedure for the settlement of labor disputes and that a Conciliation Service be established in the Department of Labor. Legal provision should be made for labor disputes to be first submitted to the Secretary of Labor who would, only upon the failure of conciliation and mediation, certify a dispute to the Court of Industrial Relations. Compulsory arbitration should be the last resort. Voluntary agreement between management and labor should be the goal. The good offices of government should always be available to prevent labor disputes before they reach the stage of strikes. When the vital public interest is involved, compulsory arbitration appears to be an essential device.

The stability of labor relations is one of the most important assurances which we can offer to private enterprise and to investors, large and small, for the planning and programming of economic ventures. Through the labor conciliation and arbitration methods I have suggested, a large measure of stability can be afforded. That stability must, of course, take into consideration the right of labor to have a living wage. Higher wages built on high and efficient production provide purchasing power for goods and start the cycle

of production for consumption which should be the goal of our economic development. For this great national need, we require the unstinted coöperation of both management and labor. Labor must be strong to shoulder its responsibilities; management must be intelligent and progressive to discharge its proper social functions.

In the present period of emergency, a Wage Stabilization Board to adjust inequities in wages and to operate in conjunction with the proposed Conciliation Service should be established. I believe that such a Board can best function as an independent agency under the executive office.

At an early date I shall direct the taking of an unemployment census in the Philippines, using available government personnel to do this important work. We must have the facts before we can attack successfully the problem of unemployment. I shall also direct the establishment of labor exchanges in each municipality, if possible, again attempting to use available government personnel. Should these prove inadequate, I will ask Congress to establish an employment service in the Department of Labor. As we proceed further in our program of social welfare, such a service will be essential for purposes of certification of unemployment as well as of placement.

Nor can we afford to forget the urgency of rehabilitating our educational institutions and our school system. I have placed this subject in the latter part of my message not because of its lesser importance. I can think of nothing which is more vital to the nation in terms of our long-range growth and development. The functions of the school system from the primary grades through the universities are many. The spread of literacy is only one of them. Education, as we all know, is the handmaiden of liberty. The intelligent use of the ballot by the people in a democracy is in large measure dependent on the degree of enlightenment of the people. We must begin with the rehabilitation of our primary schools, the provision of adequate employment conditions for teachers and for their training. The University of the Philippines must be restored to its former primacy among the educational institutions of our land. Its facilities for scholarship and research must be restored and expanded. The professional schools must be given every encouragement. Whatever economies may be necessary, we cannot afford to overlook the great need of education. I have already indicated that a special commission will be appointed to review our educational system. We must move promptly to effectuate whatever suitable recommendations are made. Institutions for vocational education should be estab-

lished at the earliest opportunity. Special educational facilities for adults should be provided.

As with education, so, too, we must take proper measures for the protection of the public health. The promotion of sanitation and the stamping out of disease has been one of the fields of our greatest advance. For this we have to thank the United States Public Health Service.

When we make the transition to independent status, the Bureau of Quarantine which is so essential for protection against epidemic and pests and parasites must be completely integrated in the Department of Health and Public Welfare. An amendment to our Administrative Code will be necessary. The requirements of the quarantine service in personnel and facilities, as well as in legal authority, must be met so that it can carry out its many functions, not the least of which is the enforcement of vaccination against plague, cholera, smallpox, typhus, and yellow fever. To permit the introduction of plagues into our land would be to expose ourselves to a loss as great as that of war itself.

Our hospitals must be rehabilitated. Whatever financial aid is necessary must be provided. We can look forward to some assistance from the United States Government in terms of surplus property and training facilities. But much of that task must be undertaken by us.

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We must provide for strict enforcement of food and drug standards and insure the cleanliness and sanitation of public eating places and processors of food. The health and vigor of our people is our first natural resource.

I recognize the importance which reparations may play in our economic rehabilitation. Everything possible is already being done to lay our claims before the proper international organs. Pending the settlement of reparations on an international basis, we are trying to obtain interim reparations payments in kind. It may be necessary, after independence, to establish a formal reparations body. But for the time being that will not be required.

In our great concern with the economic and social problems which surround us, we must not omit to do honor to our heroes of the recent past. I have already described the measures that we propose to take for the benefit of the widows and orphans of our soldier dead and for our veterans. In addition to the benefits I have described, veterans must be given priority in government employment, service and training facilities.

The greatest of our war dead was not a soldier on the field of battle. He was a statesman and leader whom we have enshrined in immortality. I am referring, of

course, to the late President Quezon. We made arrangements in Washington to transfer his remains from the United States to the Philippines, to arrive here on August 1. I ask that Congress provide a special appropriation of ₱50,000 for a state funeral and for the erection of a temporary mausoleum to contain the remains of the great leader. I say temporary because I am also proposing that funds be raised by contribution for the erection of a great memorial in which finally to house his casket. I am recommending also a second great memorial, this one to America, in recognition of the 48 years of our historic relationship, and in recognition of the greatness of mind and heart of the American people who have done and are continuing to do so much to make our national existence possible.

These two great memorials should be so situated that they will be focal points of the capital city of the Philippines. In this connection we must speed to completion our work of city planning. I will soon send to the Congress legislation providing a definition of our capital city-planning proposals. Meanwhile, I have asked the planning commission now at work to complete its studies as rapidly as possible.

When United States Government agencies are ready to begin the reconstruction of our public buildings, we

must be ready with the plans and with a program of priorities. I propose the establishment of a special commission to study this matter and to formulate proposals for submission to the Philippine War Damage Commission of the United States.

We must see in the ruins around us the vision of a great national capital rising in resplendent beauty from the ashes and rubble of destruction.

Gentlemen of the Congress, I have addressed you at great length and have touched sketchily upon many subjects which deserve more attention than I have given them. There are many matters which I entirely omitted but which you will be called upon to consider. It was impossible to include them all in a single message. I know that in the tasks I have outlined, this Congress, this representative body of the Filipino people, will be equal to its responsibilities. I am sure that you will discharge your duties in the best and highest traditions of the long line of great Philippine representative bodies. Yours is the duty and the responsibility of legislating, mine, that of administering. I will undertake to the best of my ability to carry out the policies you finally determine, and to enforce the laws you enact. I will not intrude upon the legislative functions of this body.

I hope there will always be, as I am sure there is now, complete understanding between us and a spirit of co-operation which will enable us to move together along the bewildering paths of our immediate future toward the bright day of prosperity and security.

With faith in each other and in the people of the Philippines, we will succeed in our tasks, so help us God.

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